

# ANALYSIS OF DISTRIBUTION OF COMMERCIAL BANKS IN SMEs IN THE BOJONEGORO REGENCY

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## ABSTRACT

The role of banking is needed to increase the number of businesses that can improve people's welfare and encourage economic growth. The potential development of Micro, Small and Medium Enterprises (MSMEs) in Indonesia and Bojonegoro Regency is inseparable from the support of banks in channeling credit to MSME actors.

The research method used in this study is a quantitative research method and the data used are secondary data for eighteen years, from 2008-2017. Data analyzed using multiple linear regression is an analysis to find each independent variable, namely Inflation (X1), Credit Interest Rate (X2), Economic Growth (X3), Number of MSMEs (X4) to the dependent variable, namely MSME Credit (Y) both simultaneously and partially with the SPSS method. The results showed that the F Test hypothesis test results obtained F count  $5.768 \geq F$  table 5.91 which means that simultaneously the four independent variables have a real influence on MSME Credit. The partial test results show that Inflation (X1), Loan Interest Rates (X2), Economic Growth (X3), and the Number of MSMEs (X4) none has an influence on Micro, Small and Medium Enterprises Loans (MSMEs).

Keywords: Inflation, Credit Interest Rates, Economic Growth, Number of Micro, Small and Medium Enterprises (MSMEs) and Micro, Small and Medium Enterprises Loans (MSMEs)

## INTRODUCTION

Banking is a financial institution that has a great influence on a country's economy. The role of banking is needed to increase the number of businesses that can improve people's welfare and encourage economic growth. MSME loans are loans to micro, small and medium business debtors that meet the definitions and criteria of micro, small and medium businesses as stipulated in Law No. 2 of 28 concerning SMEs. Micro, Small and Medium Enterprises (MSMEs) have a very important role in the growth and economic development of a country. In 2016, the President of the Republic of Indonesia said MSMEs that had high endurance would be able to sustain the country's economy, even during the global crisis.

Bojonegoro Regency is a regency located in the western end of East Java province, where many things are worth exploring. The development of MSMEs in Bojonegoro Regency is also very rapid, this is evidenced by the presence of MSME galleries on Jalan Patimura Bojonegoro and the development and acceleration centers of MSME businesses. The potential development of Micro, Small and Medium Enterprises (MSMEs) in Indonesia and Bojonegoro Regency is inseparable from the support of banks in channeling credit to MSME actors. The growth of MSMEs in Bojonegoro Regency affects the growth of MSME loans or loans at commercial banks in Bojonegoro Regency.

## LITERATURE REVIEW

According to the Law of the Republic of Indonesia number 10 of 1998 a bank is a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit and or other forms in order to improve the lives of many people. According to the Law of the Republic of Indonesia number 10 of 1998 credit is the provision of money or bills that can be likened to it, based on a loan agreement between the bank and another party that requires the borrower to repay its debt after a certain period of time with interest.

Understanding MSME Credit according to Bank Indonesia is all the provision of money or bills that can be equaled in rupiah and foreign currencies, based on the agreement or agreement to borrow and borrow between the reporting bank with the bank and non-bank parties that meet the business criteria in accordance with the Law on MSMEs that applicable. The definition of inflation is a symptom of rising prices of goods that are general and continuous, from this definition there are three components that are fulfilled so that it can be said that inflation is rising prices, is general, takes place continuously. (Rahardja and Manurung in Oktavia, 2004)

Loan interest can be interpreted as a remuneration provided by a bank based on conventional principles to customers who buy or sell their products. Interest can also be interpreted as a price to be paid to customers (who have deposits) and to be paid by customers to banks (customers who get loans). (Cashmere, 2010)

Economic growth is one indicator of success in the development of a country. Increased economic growth can also affect a country's banking sector. By increasing economic growth, it is expected to increase the number of investors who invest in the economy. Increasing investment has a positive effect on increasing bank lending. High investment will cause high bank lending, as well as MSME loans.

A business person is someone who runs a business. According to Law No. 9 of 1995 concerning businesses, namely "small businesses are small-scale economic activities of the people and meet the criteria of net worth or the results of annual sales and ownership as stipulated in the law.

## RESEARCH METHODS

The data used in this study uses the time series from 2008 to 2017. The type of data used in this study is secondary data. The analytical method used in this study is multiple linear regression analysis with the SPSS program used to determine the effect of independent variables on the dependent variable.

Multiple linear regression formula

:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Where

:

Y = Micro, Small and Medium Enterprises (MSME) Credit Distribution

X1 = Inflation

X2 = Interest Rate

X3 = Economic Growth

X4 = Number of MSMEs

$\beta_0$  = Constant

$\beta_1 \beta_2 \beta_3 \beta_4$  = Regression Coefficient

e = Confounding variable or std.Error,

## Research results and Discussion

### Influence of Inflation Against MSME Credit

Based on the calculation, the  $t$  value is  $-0.790 < t_{table}$  is 2.570. Then  $H_0$  is accepted and  $H_1$  is rejected at a significant level of 5% so that partially Inflation ( $X_1$ ) has no effect on Micro, Small and Medium Enterprises Credit (MSME) ( $Y$ ). this is also supported by the significant value of Inflation ( $X_1$ ) of 0.465 which is greater than 0.05.

According to Bank Indonesia's theory, inflation is defined as a general and continuous increase in prices within a certain period. An indicator often used to measure inflation is the Consumer Price Index (CPI). ([www.bi.go.id](http://www.bi.go.id))

This study supports research conducted by Setiawan (2010) which shows that the level of inflation has no effect on Small Business Loans in East Java.

The results of this study were also strengthened by the article written by UMKM observer, Siti Ainur Rodhiyah (kumparan.com Bojonegoro News, 2018) where in the article it was explained that just before Eid-ul-Fitr, the sellers raised the price of the goods but did not reduce the buyers and the more buyers.

Based on the theory, previous research and observers of MSMEs, it was concluded that in inflationary conditions, the price of goods will increase, but public consumption will remain so that micro, small and medium businesses are not affected by this condition, especially micro, small and medium business actors producing primary needs.

### Effect of Credit Interest Rates on MSME Credit

Based on calculations obtained  $t$  count of  $-1.586 < t_{table}$  of 2.570. Then  $H_0$  is accepted and  $H_1$  is rejected at a significant level of 5% so that partially the Credit Interest Rate ( $X_2$ ) has no effect on Micro, Small and Medium Business Loans (MSMEs) ( $Y$ ). this is also supported by the significant value of Inflation ( $X_1$ ) of 0.174 which is greater than 0.05.

According to the theory of Kasmir (2008) if credit interest rates increase, then in theory credit demand will decrease, and if credit interest rates decline, credit demand will increase.

This study supports the results of research conducted by Oktavia (2018) showing that interest rates do not affect Small Business Loans in East Java.

The results of this study were also strengthened by the article written by Sylke Febrina Laucereno (detikFinance, 2018) in this article, Director of Bank Mayapada Hariyono Tjahjarijadi explained that, no matter how low the loan interest rate would not directly affect credit demand. Current credit demand depends on the needs of the real sector for business development.

Based on the theory, previous research and the statement of the President Director of Bank Mayapada Hariyono, it was concluded that the interest rate on credit had no effect on MSME Credit because the public needed capital in accordance with the needs that existed and did not pay attention to the size of credit interest. The Effect of Economic Growth on MSME Credit

Based on the calculation, the  $t$  value is  $-2.511 < t_{table}$  is 2.570. Then  $H_0$  is accepted and  $H_1$  is rejected at a significant level of 5% so that partially Economic Growth ( $X_3$ ) has no effect on Micro, Small and Medium Enterprises Credit (MSME) ( $Y$ ). this is also supported by the significant value of Economic Growth ( $X_3$ ) of 0.054 which is greater than 0.05

According to Sadono Sukirno's theory (2006) states that economic growth as a quantitative measure that describes the development of an economy in a year when compared with the previous year stated in the form of a percentage.

This research was also strengthened by the article written by Cantika Adinda Putri Noveria (alinea.id, 2019) in the article the Ministry of PPN / Bappenas stated that the financial services sector in Indonesia was still weak and had no significant effect on economic growth.

Based on the theory and statement from the Ministry of PPN / Bappenas it can be concluded that economic growth has no effect on MSME Credit because the banking sector is still unable to optimally stimulate high economic growth in Bojonegoro Regency,

so that economic growth also has no effect on Micro, Small Business Loans and Secondary in Bojonegoro Regency.

#### Effect of the number of MSMEs on MSME Credit

Based on the calculation, the t value is  $-0.048 < t_{table}$  is 2.570. Then  $H_0$  is accepted and  $H_1$  is rejected at a significant level of 5% so that partially the number of MSMEs ( $X_4$ ) does not affect the Micro, Small and Medium Business Loans (MSMEs) (Y). This is also supported by the significant value of the number of MSMEs ( $X_4$ ) of 0.964 which is greater than 0.05.

Theoretically the number of Micro, Small and Medium Enterprises will affect the credit of Micro, Small and Medium Enterprises. Where more and more the number of SMEs in a city / district, it will

#### Conclusion

1. After conducting statistical tests to determine the simultaneous effect between Inflation-free variables ( $X_1$ ), credit interest rates ( $X_2$ ), economic growth ( $X_3$ ) and the number of MSMEs ( $X_4$ ) on the dependent variable MSME loans (Y) obtained F count =  $5.768 > F_{table}$  5.19, then  $H_0$  is rejected and  $H_1$  is accepted, which means that overall (simultaneous) independent variable factors influence the Micro, Small and Medium Enterprises Credit (MSME).

2. Partial (individual) Testing of Inflation ( $X_1$ ) on MSME Credit (Y), partial calculation results are obtained t count =  $-0.790 < t_{table}$  = 2.570 then  $H_0$  is accepted and  $H_1$  is rejected at a significant level of 5% so that partially Inflation (  $X_1$ ) does not affect the Micro, Small and Medium Enterprises (MSME) Credit (Y). this is also supported by the significant value of Inflation ( $X_1$ ) of 0.465 which is greater than 0.05. This is caused by the inflation of the price of goods will increase, but public consumption remains so that micro, small and medium businesses are not affected by this condition, especially micro, small and medium businesses that produce primary needs.

#### Suggestion

Based on the conclusions above, the following are some suggestions for consideration as follows:

##### 1. For Further Research

Future research is expected to be able to develop research with a longer period of time so that it can be widely informed and uses new variables in order to find out what variables affect MSME

credit in Bojonegoro Regency

2. For the Bojonegoro Regency Cooperative and UMKM Office

For the Office of Cooperatives and SMEs in Bojonegoro Regency, it is more routine to conduct a census / data collection on MSME actors, because MSMEs are easy to grow and disappear

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